

SIXTY-SEVENTH ANNUAL REPORT 1972

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THE MONARCH LIFE ASSURANCE COMPANY

A large crowd of people, mostly young adults, is gathered in front of a classical building with a pediment and columns. The image is faded and serves as a background for the text.

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THE MONARCH LIFE ASSURANCE COMPANY

SIXTY-SEVENTH ANNUAL REPORT 1972

HIGHLIGHTS

	1972	1971	1970
INSURANCE AND ANNUITY SALES			
Individual Policies	213,171,000	137,136,000	86,416,000
Group Policies	38,168,000	20,658,000	18,673,000
YEARLY PREMIUMS ON SALES	4,147,000	2,199,000	1,394,000
BUSINESS IN FORCE	1,048,204,000	885,953,000	807,154,000
NET INTEREST RATE	7.07%	7.00%	6.60%
NET INCOME PER SHARE	2.36	2.58	2.37

new business

MILLIONS

300
280
260
240
220
200
180
160
140
120
100
80
60

1960 1961 1962 1963 1964 1965 1966 1967 1968 1969 1970 1971 1972

251,339,000

REPORT OF DIRECTORS

To the Sixty-Seventh Annual Meeting of The Monarch Life Assurance Company to be held at the Head Office of the Company, in Winnipeg, on February 20th, 1973.

SALES

The sales development program established in 1971 was continued throughout 1972 with very satisfactory results. In two years

--- sales have increased almost $2\frac{1}{2}$ times in terms of amount of insurance and almost 3 times in terms of yearly premiums on these sales.

--- the number of sales offices has increased 50% to 30 offices.

--- the number of full-time sales representatives has increased by 80%.

While all areas of the Company's operation have shown significant growth, it has been in the major urban centres where the greatest sales development has occurred.

In 1972, sales of individual policies of life insurance and annuities amounted to \$213,171,000 which is a 55% increase over 1971 sales of \$137,136,000. Sales of group policies totalled \$38,168,000 for an increase of 85%.

In terms of new premiums, these sales represent \$4,147,000 of regular yearly premiums, an increase of 89%.

business in force



The Company's total business in force passed the 1 billion milestone in September and at year end was \$1,048,204,000 compared with \$885,953,000 at the end of 1971.

NEW PRODUCTS

A significant portion of our sales in 1972 was registered retirement savings plans, made in conjunction with tax deductibility features for the policyholder under section 146 of the revised Income Tax Act.

To better serve this important market, two new insurance and annuity policies were introduced in December. They feature greater flexibility in the amount of premiums that may be paid (and deducted from taxable income) each year by the policyholder. They also feature greater

choice in the amount of life insurance which may be included under the policy.

ASSETS

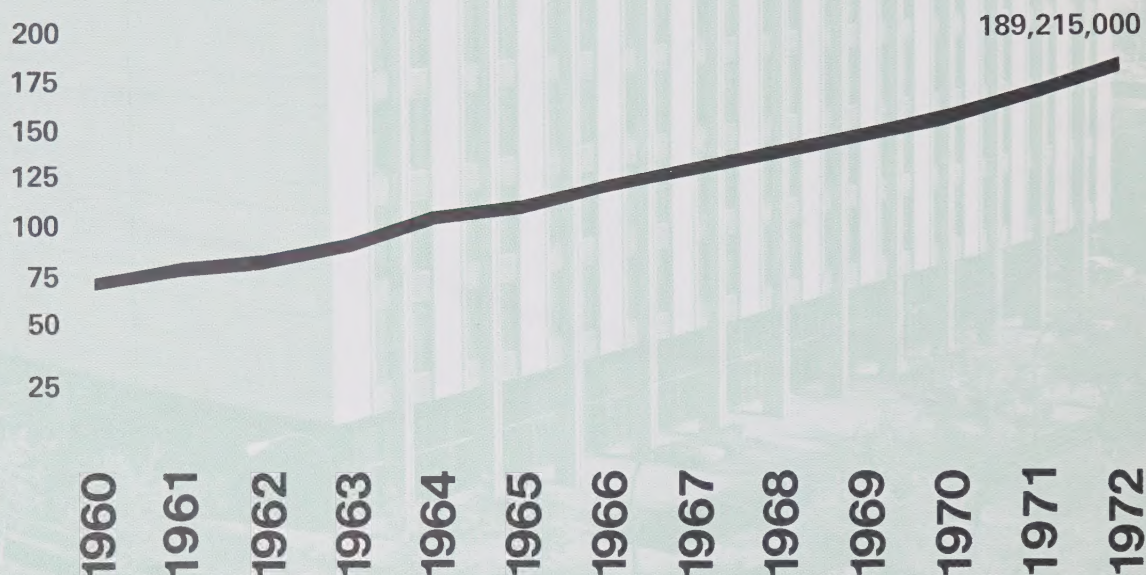
At year end, assets were \$189,215,000, an increase of \$13,701,000 or 8.0% for the year. This compares with an increase of 6.6% in 1971.

The net rate of interest earned on our entire portfolio, after deduction of investment expenses, rose to 7.07% from 7.00%. Profits realized on the sale of securities are excluded from the determination of the net yield.

Our total assets are valued on our books on a practical yet moderately conservative basis. Accordingly, the amounts reported in the Statement of Financial Position are

assets

MILLIONS



\$3,488,000 lower than the values authorized by the Superintendent of Insurance of Canada.

INVESTMENTS

The investment operations of the Company were conducted against a background of a buoyant economy and expansionary monetary and fiscal policies. Interest rates rose rapidly in the first quarter, levelled off until fall, then declined to close the year approximately $\frac{1}{4}$ of 1% higher than at the beginning of 1972. The stock market was strong and the Toronto Stock Exchange Industrial Index was up 22% for the year.

Our investment policy continued to stress first mortgages with roughly \$9.3 million

invested in 1972 in homes, apartment blocks, office buildings, warehouses, motor hotels, nursing homes, shopping centres and retail stores. Examples of our investments of this type this year are: The Red Oak Inn in Brandon, Manitoba; The Oakridge Villa Nursing Home in Toronto; a McDonald's Restaurant in Etobicoke; a B.F. Goodrich Service Centre in Winnipeg; a home handyman store in Vancouver and the Birchmont-Danforth Shopping Centre in Toronto.

Bond investments for 1972 totalled \$6.2 million primarily in provincial government debentures, real estate bonds, public utility bonds and chartered bank debentures. Examples of such investments this year are: Trans-Canada Pipelines which is expanding its transmission system to transport Alberta

gas to large eastern Canadian markets; Churchill Falls (Labrador) Corp. which developed the massive Churchill Falls hydro electric project in Labrador; and Southside Development Ltd., which built the new Four Seasons-Sheraton Hotel in Toronto.

We continued to systematically invest in common stocks. During the year 15% of our new investments were in common stocks of Canadian corporations in such areas as oil and gas exploration and development; mines and metals; banking; steel; transportation; cable television and real estate investment trusts. Examples of specific companies are: Bow Valley Industries; International Nickel; Mattagami Lake Mines; Mercantile Bank; Interprovincial Steel and Pipe; Steel Company of Canada; QCTV Ltd; Kaps Transport and TD Realty Investment Trust. The market performance of our total common stock portfolio was somewhat better than the 22% increase in the Toronto Stock Exchange Industrial Index.

POLICY LOANS AND SURRENDERS

The decrease in requests for policy loans continued for most of 1972. The amount of policy loans outstanding increased by \$175,000 compared with an increase of \$370,000 in 1971. Policy loans represent 4.4% of assets. In 1971 they were 4.6%.

Significantly fewer policies were surrendered for cash in 1972 than in 1971 continuing a trend that was evidenced in 1970.

MORTALITY

Our mortality experience was better than normal, and somewhat lower than the experience of 1971.

POLICYHOLDERS

The amount paid to policyholders and beneficiaries in 1972 was \$13,130,000. In addition, \$10,571,000 was allocated to policy reserves for future payment. The total of \$23,701,000 paid or set aside for policyholders is \$1,621,000 greater than the corresponding total for 1971.

EXPENSES

The increase in operating expenses of 1972 over 1971 is due primarily to an increase in sales related expenses. Sales in terms of yearly premium increased 89% whereas sales related expenses increased only 52%. Both the sales cost ratio and administrative cost ratio declined significantly in 1972 as existing methods and procedures were critically reviewed and improved.

NET INCOME AND SURPLUS

In the statutory basis of accounting required of life insurance companies, as referred to in Note 3, the full acquisition costs of new business are written off in the year and investment in new business becomes a major disbursement. In the aggregate, sales costs and the establishment of actuarial reserves, exceed the first year premiums received and therefore new business shows a "loss" in the year.

With level sales from year to year, renewal profits would normally be sufficient to finance the investment in new business. However, in a rapidly growing company such as ours, additional investment is required with a corresponding reduction in the "net income from operations".

In 1972 our 89% increase in sales produced a statutory loss from operations. By far the greater portion of sales was in the Participating Division, producing a statutory net loss of \$1,282,000. The Non-Participating and Shareholders' Division

produced a statutory net profit of \$930,000. Combined, the statutory net loss from operations was \$352,000 as compared with a net profit of \$684,000 in 1971.

Sales of bonds and stocks during 1972 produced a realized net profit of \$887,000. The net adjustment of book values of certain bonds and stocks provided a further net gain of \$162,000 for a total net profit of \$1,049,000. \$252,000 was the corresponding net profit in 1971. The total net profit of \$1,049,000 does not show as part of operating income because of the accounting requirements of the Department of Insurance of Canada. It is shown as an addition to surplus.

The Contingency Reserve was increased \$1,000,000 to \$3,500,000. After all operations and provisions, Surplus, Contingency Reserve and Share Capital increased by \$347,000 to a total of \$18,724,000 representing 11.0% of Liabilities, a very reasonable and sound position.

SHAREHOLDERS

The net income attributable to shareholders' includes:

- (i) the net income of the non-participating and shareholders' division,
- (ii) the amount transferred from the participating division to the shareholders' division, which is limited as explained in Note 4.

For 1972, the net income attributable to shareholders was \$1,180,000 or \$2.36 per share. The corresponding figures for recent

years are: 1971—\$2.58; 1970—\$2.37; 1969—\$1.91.

During 1972, four quarterly dividends of 17½ cents per share were declared. In recent years dividends declared have been: 1972—70 cents; 1971—60 cents; 1970—40 cents; 1969—35 cents.

GENERAL

In December Mr. A.R. Tucker who had served as a Director for 6½ years retired from the Board. His support, encouragement and valued contribution over this period have been greatly appreciated.

The vacancy on the Board was filled by the appointment of Senator Douglas D. Everett. Senator Everett was appointed to the Senate of Canada in 1966. He is Chairman of the Senate Standing Committee on National Finance and a member of several Senate Committees. Senator Everett is President of Royal Canadian Securities Company Limited

To the staff and representatives whose efforts made the excellent results possible, the Directors extend sincere thanks and appreciation.

The confidence and enthusiasm of the sales force, the staff and officers is shared by the Directors. The strong sales momentum built up over the past two years should continue into 1973 although at a more moderate rate.

The outlook for the Company in 1973 is most encouraging.

On behalf of the Board

Harold Thompson

HAROLD THOMPSON, President

T. Bruce Ross

T. BRUCE ROSS, Chairman of the Board



SIXTY-SEVENTH ANNUAL REPORT 1972

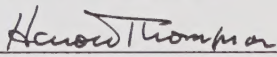
statement of

DECEMBER 31, 1972

ASSETS

	1972	1971
BONDS (note 1)		
Governments and Municipals	\$ 39,330,000	38,641,000
Public Utilities	23,179,000	21,610,000
Industrials and Others	28,003,000	25,928,000
STOCKS (note 1)	9,483,000	7,246,000
FIRST MORTGAGES		
Homes	21,516,000	24,175,000
Apartment Buildings	9,521,000	9,674,000
Office, Retail and Warehouse Buildings	38,260,000	29,779,000
REAL ESTATE		
Held for Investment	4,035,000	4,246,000
Held for Company Use	2,500,000	2,500,000
POLICY LOANS	8,323,000	8,148,000
CASH	554,000	189,000
INVESTMENT INCOME DUE AND ACCRUED	1,460,000	1,401,000
SEGREGATED INVESTMENT FUNDS	2,235,000	1,207,000
OTHER ASSETS	816,000	770,000
	<u>\$189,215,000</u>	<u>175,514,000</u>

APPROVED BY THE BOARD



HAROLD THOMPSON, President



THE MONARCH LIFE ASSURANCE COMPANY

Financial position

31, 1972

LIABILITIES, CAPITAL AND SURPLUS

	<u>1972</u>	<u>1971</u>
DIRECT OBLIGATIONS TO POLICYHOLDERS		
POLICY RESERVES	\$140,861,000	131,318,000
This amount together with future premiums and interest will provide for the payment of all benefits on policies in force.		
POLICY BENEFITS IN COURSE OF PAYMENT	755,000	730,000
POLICY BENEFITS ON DEPOSIT	18,342,000	16,604,000
POLICY DIVIDENDS PAYABLE	2,350,000	2,296,000
SEGREGATED INVESTMENT FUNDS	2,235,000	1,207,000
STAFF PENSION FUND	4,733,000	4,298,000
OTHER LIABILITIES	<u>1,215,000</u>	<u>621,000</u>
	<u>170,491,000</u>	<u>157,137,000</u>
SHARE CAPITAL (note 2)	1,000,000	1,000,000
Authorized 1,000,000 shares of \$2 per value		
Issued 500,000 shares		
CONTINGENCY RESERVE	3,500,000	2,500,000
SURPLUS	<u>14,224,000</u>	<u>14,877,000</u>
	<u>18,724,000</u>	<u>18,377,000</u>
	<u>\$189,215,000</u>	<u>175,514,000</u>

SIXTY-SEVENTH ANNUAL REPORT 1972



statement of operations and surplus

	1972	1971
INCOME		
Insurance and annuity premiums	\$ 19,015,000	17,309,000
Investment income less expenses (\$289,000 1971-\$252,000)	12,680,000	11,465,000
Other	873,000	660,000
	<u>32,568,000</u>	<u>29,434,000</u>
DISPOSITION OF INCOME		
Paid or set aside for policyholders		
Death and disability benefits	2,308,000	2,422,000
Matured endowments	1,228,000	1,314,000
Annuity payments	1,674,000	1,533,000
Surrender benefits	3,625,000	3,952,000
Policy dividends	2,301,000	2,174,000
Interest credited to amounts on deposit	1,014,000	895,000
Increase in reserve for future payments to policyholders and beneficiaries	9,543,000	8,337,000
Increase in Segregated Investment Funds	1,028,000	594,000
Other	980,000	859,000
	<u>23,701,000</u>	<u>22,080,000</u>
Commissions	2,902,000	1,784,000
Operating expenses	5,941,000	4,532,000
Premium, investment and corporate income taxes	376,000	354,000
	<u>32,920,000</u>	<u>28,750,000</u>
NET INCOME (LOSS)	(352,000)	684,000
APPROPRIATIONS AND ADJUSTMENTS		
Profits and recoveries on sale of securities (net) and adjustments to book values of assets	1,049,000	252,000
Increase in Contingency Reserve	(1,000,000)	-
Investment in Segregated Funds withdrawn	-----	119,000
Dividends to shareholders	(350,000)	(300,000)
INCREASE (DECREASE) IN SURPLUS	<u>(653,000)</u>	<u>755,000</u>
SURPLUS, January 1	<u>14,877,000</u>	<u>14,122,000</u>
SURPLUS, December 31	<u>\$ 14,224,000</u>	<u>14,877,000</u>
ALLOCATED TO		
Participating policyholders' division	\$ 5,331,000	6,294,000
Shareholders' and non-participating policyholders' division	8,893,000	8,583,000
	<u>\$ 14,224,000</u>	<u>14,877,000</u>

THE MONARCH LIFE ASSURANCE COMPANY

notes to financial statements

1. The values of bonds and stocks as authorized by the Department of Insurance of Canada are \$3,488,000 (1971-\$1,518,000) in excess of the values shown in the Statement of Financial Position.
2. Under a Stock Option Plan adopted in 1966, the Company may grant to executives for periods not exceeding 15 years, options to purchase shares of the unissued capital stock of the Company at a price equal to the market value of such stock on the date granted; provided, however, that the number of shares which may be purchased under such options may not exceed 50,000. On the 1st day of April 1966 options were granted to purchase 20,000 shares during the years 1969 to 1979 at a price of \$20 per share. No options with regard to these shares were exercised during 1972. Only 10,000 of these original 20,000 are still under option although none of the options have ever been exercised. On the 5th day of January 1971 additional options were granted to purchase an aggregate of 10,000 shares during the years 1974 to 1984 at a price of \$20 per share.
3. The Company follows generally accepted accounting principles modified by the requirements of the Department of Insurance of Canada. These modifications include:
 - (a) The costs of acquiring business are charged off as expenses in the year incurred rather than over the periods expected to be benefited.
 - (b) Non-admitted assets such as furniture and equipment are charged off as expenses in the year acquired.
 - (c) Income taxes are provided for on the basis of the taxes payable method.
4. Distributions of earnings to policyholders and shareholders are determined by the Board of Directors. For the participating division 90% of the amount distributed is allotted for policyholder dividends and 10% is transferred to the shareholders' division. This complies with Canadian insurance law governing the allocation of participating division earnings between policyholders and shareholders.

AUDITORS' REPORT

January 23, 1973

To the Policyholders, Shareholders and Directors of The Monarch Life Assurance Company:

We have examined the Statement of Financial Position of The Monarch Life Assurance Company as at December 31, 1972 and the Statement of Operations and Surplus for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these statements present fairly the financial position of the Company as at December 31, 1972 and the results of its operations for the year then ended, in accordance with accounting principles prescribed or permitted by the Department of Insurance of Canada, as explained in note 3 to the Financial Statements, applied on a basis consistent with that of the preceding year.

WINNIPEG, MANITOBA

Pricewaterhouse & Co.
Chartered Accountants

THE MONARCH LIFE ASSURANCE COMPANY

board of directors

T. BRUCE ROSS, LL.D. Chairman of the Board

HAROLD THOMPSON President

PAUL N. DuVAL

KENNETH A. POWELL

*DOUGLAS D. EVERETT

*S. PRICE RATTRAY, LL.D.

*WILLIAM G. KONANTZ

CONRAD S. RILEY, M.B.E.

*GORDON LAWSON

GEORGE E. SHARPE

RICHARD S. MALONE, O.B.E.

J. GORDON SPEIRS

*WILLIAM B. PARRISH

ALAN E. TARR

*Policyholders' Directors

EXECUTIVE OFFICERS

HAROLD THOMPSON President

ALLAN G. DENNIS Vice-Pres., Marketing

ALAN E. TARR Vice-Pres., Investments

DONOVAN A. MCCARTHY, Q.C. Vice-Pres. & Secretary

Share Transfer Agent and Registrar: NATIONAL TRUST COMPANY LIMITED
At its Principal Offices in Montreal, Toronto, Winnipeg, Calgary and Vancouver

administrative organization

HAROLD THOMPSON, F.S.A., F.C.I.A., President

A.G. DENNIS	Vice-President, Marketing	
Sales Development	T. Uster	Superintendent of Sales
	R.T. Sandstrom	Assistant Superintendent of Sales
	G.E. Thomas	Assistant Superintendent of Sales
Marketing Services	N.R. Moss, C.L.U.,	Director of Marketing Services
	G.R. Marceau	Sales Promotion
Sales Training	K.A.M. Walker	Superintendent of Sales Training
	L. Holloway	Supervisor, Sales Training
	W.J. O'Rourke	Field Training Supervisor
	D.D. Sheppard	Field Training Supervisor
Sales Administration	(Miss) J. Mislawchuk	Supervisor, Sales Administration
J.M. RINGSTROM	Director of Group and Corporate Sales	
Group Services	A.M. Byrne, F.S.A., F.C.I.A. . .	Assistant Actuary
	E.F. Harlow	Supervisor, Group Services
Group Sales	P.H. Dumoret	British Columbia, Alberta Region
	D.R. Thompson	Ontario Region
	J.A. Tremblay	Ottawa and Quebec Region
A.E. TARR, A.S.A.	Vice-President, Investments	
Investment	R.E. Archer, C.F.A.	Manager, Bonds and Stocks
	A.E. Hanson, A.A.C.I.	Manager, Mortgages and Real Estate
D.A. McCARTHY, Q.C.,	Vice-President and Secretary	
Systems Planning	P.J. Sawchuk, F.L.M.I.	Projects Manager
	C.E. Addison, F.L.M.I.	Projects Supervisor
Accounting	R.A. Wankling, F.C.A.	Comptroller
	J.W. Clarke, C.A.	Associate Comptroller
Public Relations and Personnel	C.J. Rogers, F.L.M.I., F.C.I.S. .	Public Relations Officer
Purchasing, Printing and Supplies	B.S. Genaske	Supervisor, Purchasing, Printing and Supplies
D.B. STEVENS, F.S.A., F.C.I.A.	Actuary	
Policy Service	André Croteau, A.S.A.	Co-ordinator, Policy Service
	C.M. Mederski	Supervisor, Policy Service
	E.F. Johnston	Supervisor, Premium and Commission Accounting
Data Processing	L.G.F. Jones.	Supervisor, Data Processing
	E. Lindgren, F.L.M.I.	Assistant Supervisor Data Processing
C.J. STAFFORD, F.S.A., F.C.I.A.	Actuary	
Actuarial	L.A. Poole, F.S.A., F.C.I.A. . .	Assistant Actuary
	N.P. Walton	Supervisor, New Business Systems
Underwriting	R.G. Handford, M.D., A.A.C.P. .	Medical Director
	N.L. Handford	Supervisor, Underwriting
Policy Issue	T. Weber, F.L.M.I.	Supervisor, Policy Issue

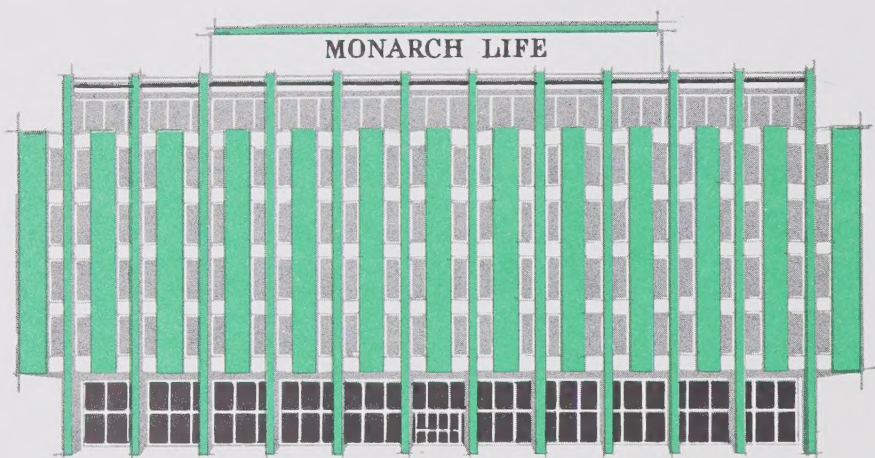
THE
MONARCH
LIFE
BUILDING

333



BRANCH OFFICES

		Telephone Numbers	Area Code
VICTORIA	D.E. PEGG, Ste. 230-777 Broughton St.	384-0584	604
VANCOUVER	D. LAKUSTA, C.L.U., Ste. 1500-777 Hornby St.	684-5322	604
	I.F. DEWEST & ASSOC. LTD., Ste. 216-2438 Marine Dr.	926-6007	604
	CLEMENTS, SHAFFER & ASSOC. LTD., P.O. Box 10102 Pacific Centre, Toronto Dominion Bank Tower	682-8608	604
EDMONTON	W.E. SOUTHORN, C.L.U., 15th Flr. CN Towers 104 Ave. & 100 St.	422-6125	403
	LORNE DAY & ASSOC. LTD., 805 Empire Bldg. 101 St. & Jasper	429-1418	403
RED DEER	H. MCCRAE, C.L.U., The Royal Bank Bldg. Ste. 300 4943-50th St.	347-1135	403
CALGARY	P.J. STREUKENS, Ste. 400-1300 8th St. S.W.	263-4070	403
LETHBRIDGE	J.H. PROVICK, Professional Bldg. Ste. 404-8th St. S.	327-2985	403
SASKATOON	C.W. BLACKMUR, 870 Avord Tower 606 Spadina Crescent E.	653-0602	306
REGINA	C.J. LIPTON, 1770 Avord Tower, Victoria & Hamilton	523-9631	306
BRANDON	A. JOSEPHSON, Ste. 306 Royal Bank Bldg. Box 727	727-0721	204
WINNIPEG	L.H. FYKE, C.L.U., 2nd Flr. 360 Broadway	943-3441	204
	M. KANTOR, 6th Flr. 338 Broadway	942-3131	204
THUNDER BAY	W.J. LYSAK, C.L.U., 410 Chapple Bldg. Box 326	622-6444	807
WINDSOR	Ste. 208-1541 Ouellette Ave.	252-4431	519
LONDON	J.D. TAYLOR, 6th Flr. 195 Dufferin Ave.	672-6220	519
	BANKES PAYNE & LEY, 2nd Flr. 267 Dundas St.	433-4083	519
HAMILTON	E.J. MCBANE, Ste. 2105-25 Main St. W.	522-9274	416
	SKYWAY LIFE INS. AGENCIES, Ste. 604-105 Main St. E.	525-7247	416
TORONTO	J. LOMAN, C.L.U., Ste. 404-40 St. Clair Ave. W.	929-3188	416
	F.R. GLASSER, Ste. 2207-2025 Sheppard Ave. E.	493-3744	416
	S.S. TAERK, C.L.U., Ste. 100-885 Don Mills Rd.	449-7330	416
	L. EPSTEIN, 2nd Flr. 101 Duncan Mill Rd.	449-8383	416
OSHAWA	R.A. SLANEY, C.L.U., Ste. 603 Bell Canada Bldg. Oshawa Centre	725-6588	416
OTTAWA	E.E. LAUGHREN, 704 Burnside Bldg. 151 Slater St.	233-4457	613
MONTREAL	P. ANGELINI, C.L.U., 6600 Cote des Neiges Rd.	731-8257	514
	WERTHEIMER AGENCIES LTD., 935 Dominion Centre 1010 St. Catherine St. W.	866-8693	514
	R. POTVIN, 12060 Sherbrooke St. E.	354-8680	514
	JOSEPH FRIEDMAN INSURANCE AGENCY LTD., 140 Appin Ave.	739-4202	514







THE MONARCH LIFE ASSURANCE COMPANY
HEAD OFFICE: 333 BROADWAY AVENUE, WINNIPEG, CANADA